

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

3. TRUST FUNDS . . . continued

	2009 R	2008 R
TOTAL B/F	2,992,112	5,413,394
FMG Grant	0	1,134,553
DTLGA - MFMA Grant	1,518	27,649
Valuation Roll	0	270,000
PMS Grant	62,000	62,000
Spatial Planning	0	50,000
Municipal Development Infrastructure Grant	0	40,000
DC27- Voter Registration Campaign Grant	2,000	2,000
Project Cons - Water Reticulation	1,132,895	1,546,792
MIG	64,605	-292,816
MIP	185,318	185,318
Public Participation	36,858	47,058
Internal Control	150,000	150,000
Zamimpilo Tourism	0	-83,795
HR System & Procedures	0	-134,862
Sports Grants	0	-510,338
Project Cons- Mandozi Alternative Energy	0	-62,074
Project Cons- Waste Dump Site	0	291,643
DTLGA - Community Development Workers	9,011	9,011
DPLG - MSIG	0	411,816
Mun. Development Planning Capacity	65,301	65,301
Mpembeni Game Lodge	54,203	86,300
Sinamuva Cultural Village	346,456	800,000
	5,102,276	9,508,950

(Refer to appendix A for more detail)

4. LONG TERM LIABILITIES

	2009 R	2008 R
Consumer Deposits	12,509	3,059

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

5. FIXED ASSETS

	2009 R	2008 R
Fixed assets at the beginning of the year	30,352,475	20,551,658
Capital expenditure during the year	15,811,284	10,207,695
Less : Assets written off, transferred or disposed of during the year	4,247,959	-406,877
TOTAL FIXED ASSETS	41,915,800	30,352,476
Less : Loans redeemed and other capital receipts	-41,915,800	30,352,476
NET FIXED ASSETS	0	0

(Refer to appendix "C")

6. LONG TERM DEBTORS

	2009 R	2008 R
Deposits	14,200	14,200

7. INVESTMENTS

	2009 R	2008 R
ABSA	11,601	1,919
Mercantile	10,983	2,980,161
FNB	5,069,668	10,277
Standard Bank	1,000	7,075,264
TOTAL INVESTMENTS	5,093,252	10,067,621

Managements' valuation of unlisted investments.

5,093,252	10,067,621
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Regulation 6 of the LG: Municipal Investment Regulations, requires local authorities to invest funds, which are not immediately required, with prescribed institutions.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

	2009 R	2008 R
8. DEBTORS		
Current Debtors(Consumer)	1,311,907	1,279,549
Other Debtors	221,925	1,730
Interest Accrued-investments	11,476	29,773
Receiver of Revenue (Value Added Tax)	860,582	5,894,533
	2,405,890	7,205,585
Less: Provisions for bad Debts	735,736	660,737
	1,670,154	6,544,848

Current Debtors Age Analysis

Current	5,411	-778
0 - 30 days	601,053	504,963
30 - 60 days	28,278	28,871
60 days +	0	0
90 days +	677,165	746,493
TOTAL	1,311,906	1,279,549

9. PROVISIONS

Leave Pay Provision	630,106	482,497
	630,106	482,497

There is an error in the last year's closing balance disclosed in the financials. The correct balance as per general ledger is R434 804.37.

10. TRADE AND OTHER CREDITORS

Trade Creditors	1,357,288	1,655,923
Salary Suspense	0	-115,801
Mtubatuba Municipality	0	656,791
Other Creditors	0	21,818
	1,357,288	2,218,731

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

11. ASSESSMENT RATES

Rateable Land

92,970

73,337

Valuations on land are performed every five years. The basic rate was 0.0695 cents on land only.

12. COUNCILLORS' & SENIOR MANAGEMENT'S REMUNERATION

Mayor's allowance

276,576

259,867

Executive Committee Allowance

1,169,389

1,143,895

Councillors' allowance

4,542,642

4,173,093

Total Councillors' Remuneration

5,988,607

5,576,855

Municipal Manager

632,390

541,771

Chief Financial Officer

556,469

446,427

Director - Corporate Services

591,850

438,186

Director - Community Services

506,009

457,059

Total Senior Management Salaries

2,286,718

1,883,443

13. AUDITORS' REMUNERATION

TOTAL - Paid during the year

377,363

445,887

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

14. FINANCE TRANSACTIONS

Total external interest earned/(paid):

Interest earned

2009

R

1,050,717

2008

R

1,828,161

Capital Charges debited to operating account :

Interest: External

Internal

Redemption: External

Internal

-

-

-

-

-

-

-

-

15. APPROPRIATIONS

Net Appropriation account :

Accumulated deficit at the beginning of the period

Operating surplus/(deficit) for the period

Appropriations for the year

Prior year adjustments

Accumulated deficit at the end of the period

2009

R

-9,365,117

-2,323,153

585,322

-2,908,475

-11,688,270

2008

R

-4,682,216

-4,682,901

-1,940,712

-2,742,189

-9,365,117

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

	2009 R	2008 R
16. CASH GENERATED BY OPERATIONS		
Net surplus (deficit) for the year	585,322	-1,940,712
<i>Adjustment for:</i>		
Appropriations for this period	-2,908,475	-2,742,189
Appropriations charged against income	-21,706,561	-18,796,327
Capital Development fund	121,414	-
Provisions	157,059	-253,296
Trust Funds	-4,406,674	-5,501,576
Reserves	-1,767,076	-2,833,760
Fixed Assets	-15,811,284	-10,207,695
Investment Income	-1,050,717	-1,828,161
OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES	-25,080,431	-25,307,389

	2009 R	2008 R
17. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	-	-
(Decrease) in debtors	4,874,694	544,771
(Increase)/decrease in deposits	-	-
(Decrease) in creditors	-861,443	-1,519,076
	4,013,251	-974,305

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

	2009 R	2008 R
18. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	-	-
Loans Repaid	-	-
	-	-
19. (INCREASE)/DECREASE IN INVESTMENTS		
Investment beginning of the year	10,067,621	22,678,006
Investment end of the year	5,093,252	10,067,621
	-4,974,369	-12,610,385
20. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance beginning of the year	-1,548,595	86,857
-Cash on hand	1,005	1,005
-Cash in bank- ABSA	-1,549,600	85,852
Less: Cash balance at the end of the period	-779,406	-1,548,595
-Cash on hand	987	1,005
-Cash at Bank- ABSA	-925,761	
-Cash at Bank- FNB	145,369	-1,549,600
	769,189	-1,635,452
BANK	-779,406	-1,548,595
Net Overdraft	-924,774	

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

21. CAPITAL DEVELOPMENT FUND

Accumulated Funds (Appendix A)

Accumulated Funds balance at the beginning of the year

Add: Contributions during the year

Less: Internal Investment to Borrowing Services (Appendix B)

Balance available for External Investment

	2009 R	2008 R
Accumulated Funds balance at the beginning of the year	1,599,155	1,599,155
Add: Contributions during the year	121,414	-
Less: Internal Investment to Borrowing Services (Appendix B)	-	-
Balance available for External Investment	<u>1,720,569</u>	<u>1,599,155</u>

22. RETIREMENT BENEFITS

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2006.

However interm valuations performed on 31 March 2008 showed that the provident fund had a shortfall of R3,247,000. This was considered immaterial since it only constituted 0.5% of the assets. Retirement fund showed a surplus of R195,9m when using the DCF method of valuation. The provident fund shortfall will be met from future investment earnings. The fund was therefore declared to be in sound financial position.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

- 23** The primary bank account referred to in Section 8 of the Municipal Finance Management Act is as follows:

Bank : ABSA
 Branch : Newcastle
 Branch Code : 630 324
 Account No. : 405 370 9558

24. CAPITAL COMMITMENTS

R

Commitment in respect of capital expenditure:

-Approved and contracted for

2,483,258

-Approved but not yet contracted for

5,722,545

8,205,803

This expenditure will be financed from:

-Internal sources

0

-External sources

8,205,803

-Other sources

-

-Grants

8,205,803

8,205,803
25. UNAUTHORIZED EXPENDITURE

Unauthorized expenditure amounting to R4,450,267 occurred during the 2008/2009 financial year. This was a result of re-allocation of LED and Poverty Alleviation expenditure from Contributions to Funds to General Expenses. This was also caused by additional MIG Funding received which had to be expensed to Contribution to Funds. This unauthorized expenditure was then submitted to Council for approval.

APPENDIX : A
STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance as at 1 July 2008	Contribution during the period	Capital Expenditure during the period	Operational Expenditure during the year	Balance as at 30 June 2009
	R	R	R	R	R
STATUTORY FUNDS					
Accumulated Funds	1,599,155	121,414	-	-	1,720,569
- Rates & General Services	1,599,155	121,414	-	-	1,720,569
- Water	-	-	-	-	-
Public Improvement Funds	-	-	-	-	-
TOTAL	1,599,155	121,414	-	-	1,720,569
TRUST FUNDS					
Management Support Grant	(353,774)	-	-	(353,774)	-
Integrated Development Grant	17,635	-	-	2,303	15,332
Community Initiative Grant	50,000	-	-	-	50,000
Computer Grant	54	-	-	-	54
PMS Grant - DC27	90,000	-	-	-	90,000
Integrated Development Grant - DC27	44,436	-	-	23,540	20,896
GIS Grant	8,619	-	-	-	8,619
Lums Grant	214,688	-	-	100,000	114,688
Disaster Management Grant - DOH	3,857,000	2	-	2,589,217	1,267,785
Community Gardens	202,298	-	-	-	202,298
Socio-Economic Survey	4,676	-	-	-	4,676
Housing Provision Grant	253,758	-	-	-	253,758
LIBRARY GRANT	598,857	-	-	-	598,857
MUNICIPAL DEVELOPMENT PLANNING GRANT	12,399	-	-	-	12,399
INTER-DEPARTMENTAL MONITORING	4,677	-	-	-	4,677
PROPERTY RATES GRANT	33,125	-	-	-	33,125
PROJECT CONSOLIDATE	240,446	-	-	-	240,446
ANTI-CORRUPTION STRATEGY	134,500	-	-	60,000	74,500
FMG GRANT	1,134,553	-	-	1,134,553	-
DTLGA - MFMA GRANT	27,649	-	-	26,130	1,519
VALUATION ROLL	270,000	-	-	270,000	-
PMS GRANT	62,000	-	-	-	62,000
SPATIAL PLANNING	50,000	-	-	50,000	-
MUNICIPAL DEVELOPMENT INFR. GRANT	40,000	-	-	40,000	-
DC27-VOTER REGISTRATION CAMPAIGN GRANT	2,000	-	-	-	2,000
PROJECT CONS - WATER RETICULATION	1,546,792	287,660	-	701,558	1,132,894
PROJECT CONS - MANDOZI ALTERNATIVE ENERGY	(62,074)	-	-	(62,074)	-

APPENDIX : A
STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

TRUST FUNDS continued

PROJECT CONS - WASTE DUMP SITE	291,642	-	-	291,642	-
DTLGA - COMMUNITY DEVELOPMENT WORKERS	9,011	-	-	-	9,011
DTLGA - INFORMAL TRADING FACILITIES	-	90,000	-	90,000	-
DPLG - MSIG	411,816	-	-	411,816	-
MUNICIPAL INFRASTRUCTURE MIG	(292,816)	13,965,336	13,607,916	-	64,604
PUBLIC PARTICIPATION	47,058	-	-	10,200	36,858
MUNICIPAL INFRASTRUCTURE INVESTMENT PROGRA,MIIP	185,318	-	-	-	185,318
INTERNAL CONTROL UNIT	150,000	-	-	-	150,000
ZAMIMPILO TOURISM CENTRE	(83,795)	-	-	(83,795)	-
HR SYSTEMS & PROCEDURES	(134,862)	-	-	(134,862)	-
SPORTS GRANT	(510,338)	1,569,701	-	1,059,363	(0)
MPEMBENI GAME LODGE	86,300	-	-	32,097	54,203
SINAMUVA CULTURAL VILLAGE	800,000	-	-	453,543	346,457
MUN. DEV. PLANNING CAPACITY	65,301	-	-	-	65,301
TOTAL	9,508,950	15,912,698	13,607,916	6,711,457	5,102,276

PROVISIONS

Leave	434,804	440,512	-	245,210	630,106
TOTAL	434,804	440,512	-	245,210	630,106

RESERVES

Working Capital Reserves	300,000	-	-	-	300,000
Mpembeni Health Centre	4,172	-	-	-	4,172
Shikishela Creche	8,346	-	-	-	8,346
LED Projects - Internal	84,506	-	-	50,900	33,606
Equitable Share - Free Basic Services	6,776,244	0	-	1,259,785	5,516,459
Equitable Share - Free Basic Electricity	3,490,287	-	-	489,148	3,001,139
Project Development Fund-Internal	-	253,988	-	253,988	0
Project Development Fund- Internal 2006/2007	(21,357)	743,718	-	722,361	-
TOTAL	10,642,198	997,706	-	2,776,182	8,863,722

APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance as at 1 July 2008	Received during the period	Redeemed/ Written off during the period	Balance as at 30 June 2009
	R	R	R	R
Annuity Loans	-	-	-	-
Fixed Loans	-	-	-	-
	-	-	-	-